YAD CAPITAL AG
Investment Advisory

YAD HOUSE VIEW

August 2024

Welcome

Dear Reader,

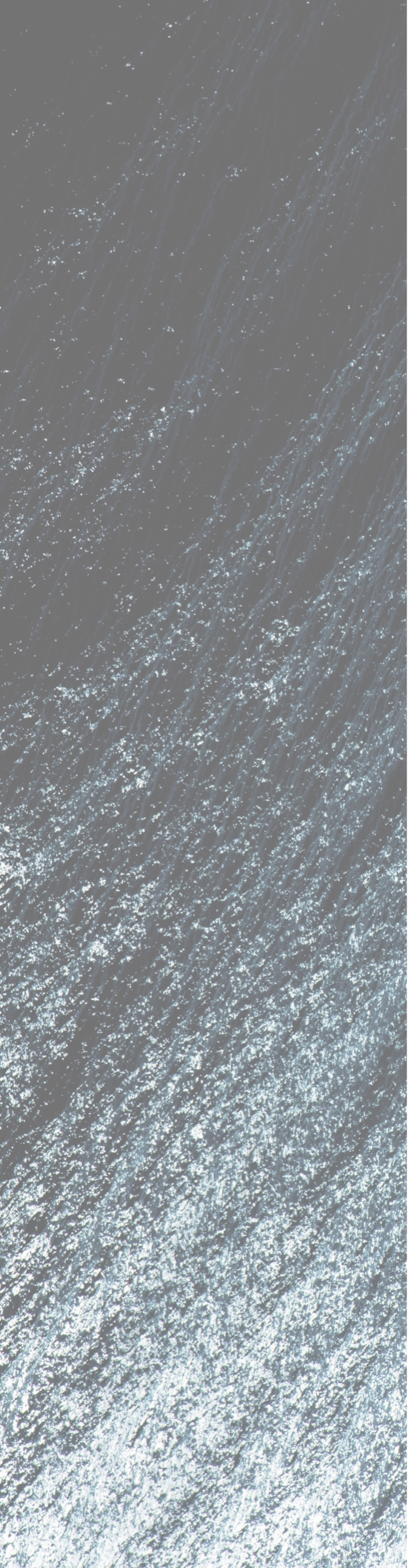
In this report, you'll find an overview of our current allocation strategies amidst evolving economic indicators. We also discuss our increased investment in a private debt fund and explore future opportunities within the AI trade. Our commitment to balancing stability with strategic opportunities remains strong as we navigate the market to meet our clients' goals. Enjoy the read!

Your faithfully,

Dan Stemmer
Partner

Ygal Abergel
Managing Partner

Damjan Csiba, CFA
Portfolio Manager



What changed in our active allocations?

Equity - Geography

We did not change our geographical equity allocation.

Equity - Sector

We did not change our sector equity allocation.

Fixed Income

Our *Growth Portfolio* has an average yield to maturity (YTM) of 6.32 and 7.58 modified duration.

Our *Yield Portfolio* has an average YTM of 6.80 vs. 5.68 modified duration.

Our *Return Portfolio* has an average YTM of 4.81 vs. 7.04 modified duration.

The US unemployment rose from 3.4% to 4.3% in July 2024. If the three-month average unemployment rate reaches 4.2% for the period July-September, according to the Sahm rule, the US will enter a recession. The likelihood of this is increasing that would be very positive for long-duration high grade bonds. In addition, wage growth has slowed, which is also disinflationary.

Our holdings are made up of mainly investment grade bonds from developed countries, however, we still hold small exposure to bonds from emerging markets and high yield. The average credit rating according to S&P's methodology is BBB- for Yield, BBB for Growth while A- for Return.

Alternatives

We increased our allocation to an investment-graded private debt fund with historically stable and excellent returns.

Our Current Active Allocations

Asset Class	Overweight	Underweight
Equity - Geography	India, Israel, France and Switzerland	Australia, Japan and United States
Equity - Sector	Consumer Staples, Energy, Utilities and Healthcare	Financials, IT, Communications and Real Estate

Index Returns

YTD 2024

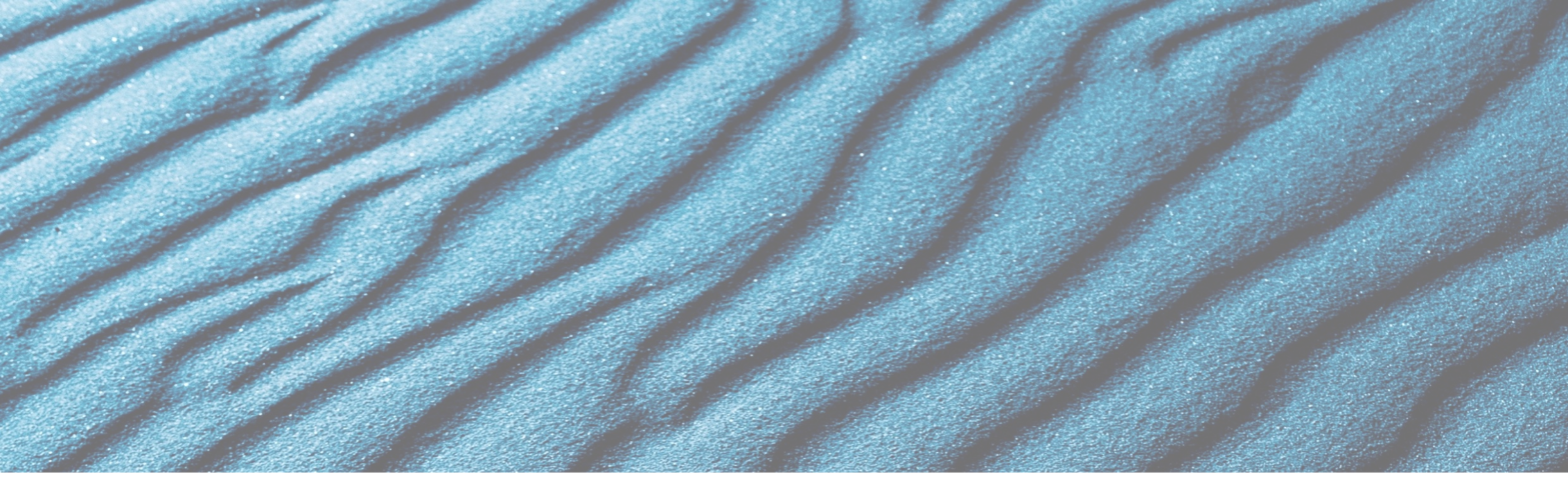
Equity	YTD Performance
Euro STOXX 50	6.15%
Tel Aviv 125	4.25%
Nasdaq 100	10.39%
S&P 500	13.42%
SPI - 214 Swiss stocks	9.02%

Fixed Income	YTD Performance
Global Crp High Yield	4.44%
US Treasury 7-10Y	1.96%
Emerging Market ($)	4.31%
$ Investment Grade	1.73%
€ Investment Grade	1.12%

Alternatives	YTD Performance
Global Hedge Fund Index	3.65%
Gold	19.86%
Brent Crude Oil	9.37%
Bitcoin	49.59%
Global Real Estate	4.87%

Currencies	YTD Performance
USD/ILS	4.70%
USD/CHF	2.68%
USD/JPY	4.49%
GBP/USD	0.79%
EUR/USD	-1.29%

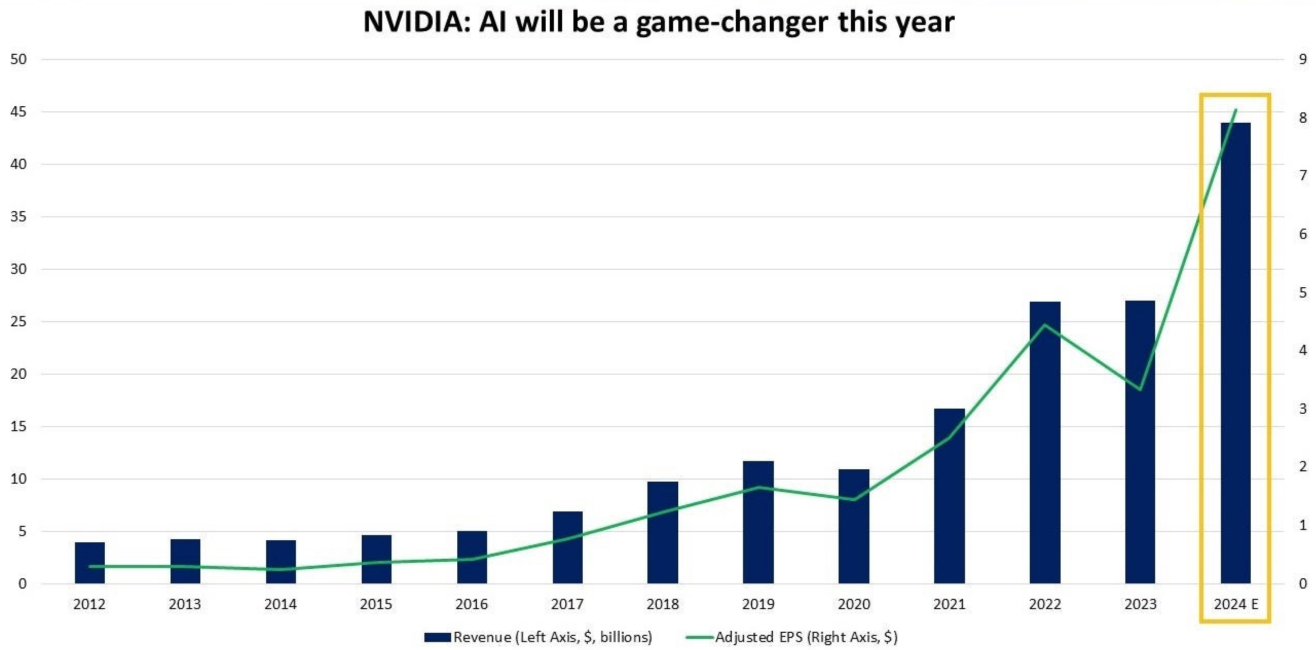
As of Friday, 02 August 2024, 15:53pm CET



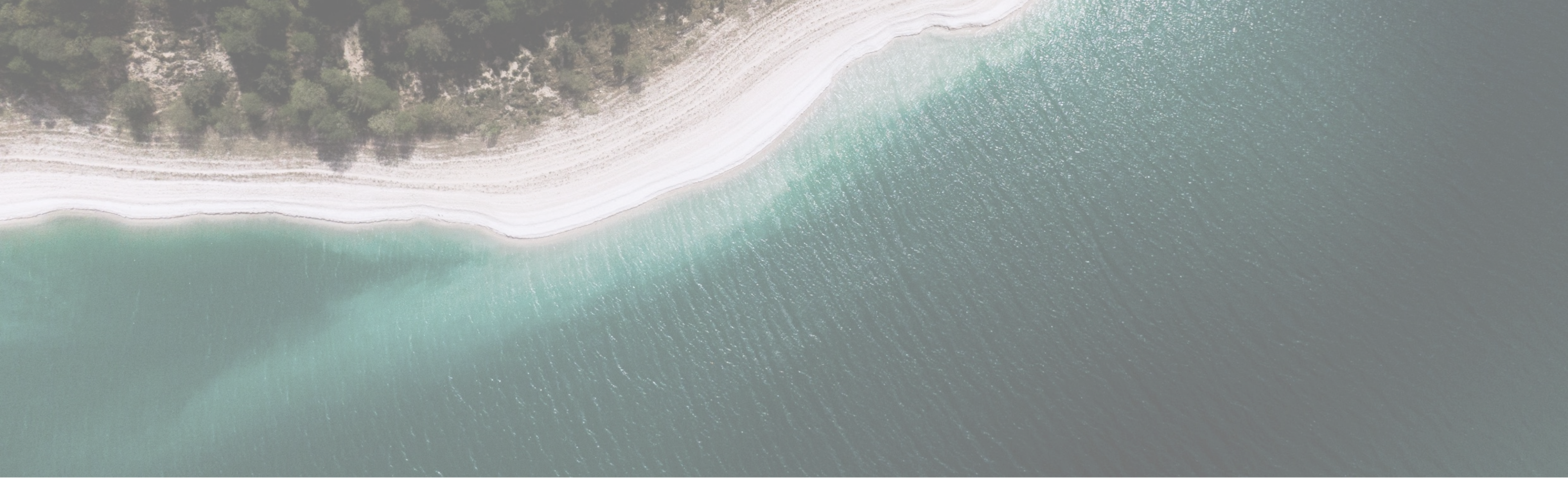
AI

What are the different stages involved in the AI trade?

According to Goldman Sachs, the AI trade will progress through four distinct phases. The first phase is exemplified by Nvidia. This phase commenced approximately eighteen months ago with the introduction of OpenAI's ChatGPT. The launch triggered a spike in demand for Nvidia's stocks, owing to their AI-boosting computer chips, positioning Nvidia as the leading short-term AI beneficiary in the market.



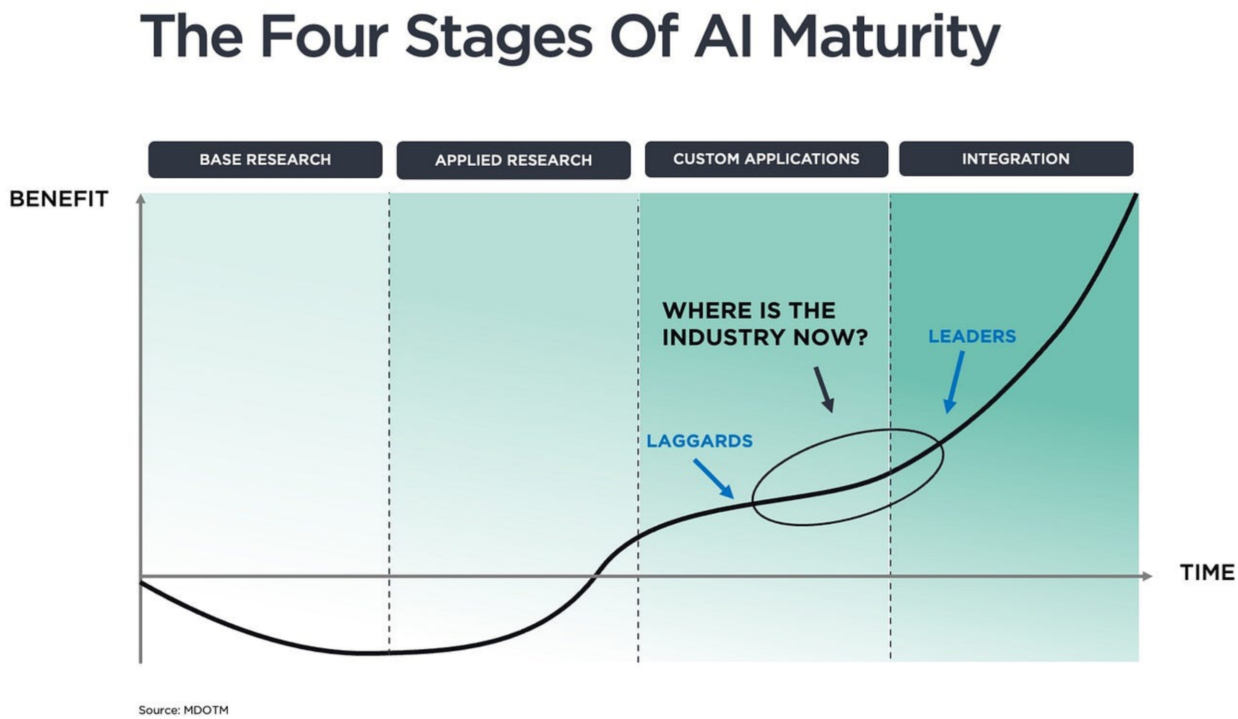
The second stage could be the AI Infrastructure. AI can be seen as an ecosystem in its own, comprising various companies involved in its infrastructure. These include semiconductor companies whose chips are essential for the training and use of AI. Within the semiconductor industry, there are different segments such as design companies like ARM, fabless designers such as Broadcom and Advanced Micro Devices, memory companies like Micron, and semiconductor manufacturing equipment companies like Applied Materials and ASML. Moreover, there are data center companies like Equinix, which manage the physical facilities housing the servers required for AI model training. Hardware and equipment providers like Vertiv supply the critical components needed for building and maintaining these data centers. Utility companies such as Duke Energy supply the significant amounts of electricity required to power these data centers. Cloud providers such as Microsoft, Amazon and Alphabet play a critical role in training, operating and maintaining AI models with their compute and data storage services. Security companies such as CrowdStrike are protecting the data.



At Stage 3, companies that can integrate AI into their product offering to increase sales are likely to benefit. Many of these are software and IT services firms, including Meta, MongoDB, Intuit, Nutanix, ServiceNow, and Uber.

In the final stage, the AI trade will focus on companies using AI to boost productivity across various industries, with the greatest potential expected in labor-intensive sectors. Goldman Sachs' analysis indicates that software and IT services, as well as commercial and professional service companies, are likely to see the most significant gains in profitability. This is due to a large portion of their highly paid workforce being engaged in tasks that AI automation can replace, potentially resulting in substantial labor cost reductions for these firms. Match Group and News Corp. were highlighted in Goldman’s report as prime examples of companies set to benefit from this trend.

While Nvidia has emerged as a standout performer in the initial phase, stocks across all technology phases have experienced gains. Taking on more risk can potentially lead to higher returns. Investing in individual stocks and specific sectors usually involves greater risk compared to the broader market index. However, if AI significantly boosts productivity across various sectors and the broader economy, as suggested in phase four, holding the S&P 500 or S&P 500 Equal Weight ETF could be a prudent long-term strategy. Source: https://medium.com/@nassif.co.uk/goldman-sachs-expects-four-stages-in-the-ai-boom-with-nvidias-success-as-just-the-beginning-302ce4597ab9



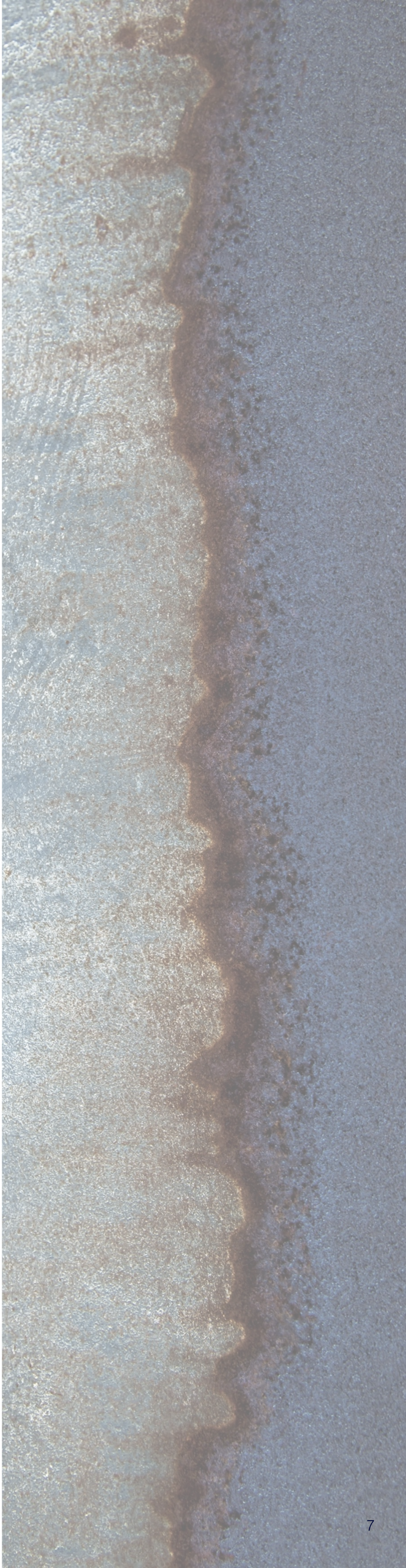
Closing Thoughts

Our active allocations have remained largely consistent, reflecting our confidence in our current strategy amidst evolving economic indicators. The rising US unemployment, slowing wage growth and inflation supports our current fixed income allocation while our geographical and sector equity allocations remain unchanged, underscoring our belief in the resilience and potential of our selected markets. We have increased our allocation to a private debt fund, leveraging its history of stable and high returns to enhance our alternatives portfolio.

Looking ahead, the AI trade presents a multi-stage opportunity. Starting with Nvidia's significant gains from AI-boosting chips, the focus could shift to AI infrastructure, integration into product offerings, and ultimately, broad productivity gains across industries. As AI's influence grows, our strategic approach will consider the heightened risk and potential rewards, balancing sector-specific investments, single stocks with broader market indices like the S&P 500 for long-term stability and growth.

In conclusion, our allocations reflect a careful blend of stability and strategic opportunity-seeking. We remain vigilant and adaptable, ready to adjust our strategies in response to market developments, ensuring we continue to meet our clients' investment goals.

Good Investing.



Yad Capital AG

Investment Advisory